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RAJKUMAR JALAN, RON SZETO, and STEVE HWANG

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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

BROCADE COMMUNICATIONS SYSTEMS,
INC., a Delaware corporation; and FOUNDRY
NETWORKS, LLC, a Delaware limited liability
company,

Plaintiffs,

v.

A10 NETWORKS, INC., a California
Corporation, LEE CHEN, an individual;
RAJKUMAR JALAN, an individual; RON
SZETO, an individual; LIANG HAN, an
individual; and, STEVE HWANG, an individual;

Defendants.

A10 NETWORKS, INC.,

Counterclaimant,

v.

BROCADE COMMUNICATIONS SYSTEMS,
INC. and FOUNDRY NETWORKS, LLC,

Counterclaim Defendants.

CASE No. 5:10-cv-03428-PSG

**DEFENDANT A10 NETWORKS INC.'S
REPLY TO BROCADE'S
OPPOSITION TO MOTION FOR
STAY OF PATENT PERMANENT
INJUNCTION PENDING APPEAL**

Date: February 4, 2013
Time: 3:00 P.M.
Location: Courtroom 5, 4th Floor
Judge: Honorable Paul S. Grewal

1 **I. Introduction**

2 The Court has explicitly found that Brocade did not prove that either (1) the features
 3 protected by the asserted patents drove demand for the accused products or (2) Brocade has lost
 4 market share or customers due to A10's alleged infringement. Based on those findings alone, the
 5 Court should grant a stay of its Patent Injunction pending appeal. Under the same relevant factual
 6 circumstances, Judge Koh denied Apple's request for a permanent injunction against Samsung –
 7 despite the jury's billion-dollar verdict against Samsung and Judge Koh's finding that Apple *did*
 8 suffer irreparable harm in the form of lost customers, market share and downstream sales. *See*
 9 *Apple, Inc. v. Samsung Elecs. Co., Ltd.*, 5:11-cv-01846-LHK, Dkt. No. 2197, at 5:23-24, 6:13
 10 (N.D. Cal. Dec. 17, 2012) ("Apple III"). While this issue is headed to the Federal Circuit for
 11 resolution, in the interim A10 should not be prejudiced by a contrary interpretation of the law, one
 12 that not only conflicts with that of another respected jurist *within this very courthouse*, but which
 13 will inflict damage on A10 even though A10 may well prevail on its arguments concerning
 14 infringement and validity.

15 If A10 ultimately loses, monetary damages will make Brocade whole. But if A10
 16 ultimately prevails, the premature entry of an injunction pending final resolution will have resulted
 17 in irreparable harm to A10. Brocade argues that excerpts from A10's press release regarding the
 18 patent injunction prove otherwise. Snippets from a half-page press release, however, should not
 19 govern the Court's decision. Common sense dictates that A10 risks the permanent loss of
 20 customers during the appeals process, as well as a possible (even if ill-conceived) claim of
 21 contempt by Brocade, if a stay is not issued. This is true even though A10 believes that it has
 22 successfully designed around the asserted patent claims.

23 For these reasons, A10 respectfully requests that the Court take the more equitable path
 24 and stay its patent injunction pending A10's appeal.

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1 **II. Likelihood of Success on the Merits**2 **A. Permanent Injunction Analysis**3 **1. Causal Nexus**

4 This Court granted Brocade's motion in part because it "confess[ed] to doubt that the
 5 causal nexus as articulated in *Apple II* should be required for all irreparable harms offered in
 6 support of a request for a permanent injunction." Dkt. No. 830, at 6 (referring to *Apple, Inc. v.*
 7 *Samsung Elecs. Co., Ltd.*, 695 F.3d 1370 ("*Apple II*") (Fed. Cir. 2012)). Furthermore, the Court
 8 expressly recognized that the causal nexus required in *Apple II* to support an injunction (albeit, in
 9 that case, a preliminary injunction)—*i.e.*, a direct causal link establishing that the patented features
 10 drove demand for the product—clearly is not present here. Dkt. No. 830, fn. 26.¹

11 Just days after this Court's order issued, it was cited to the Federal Circuit by Apple as
 12 evidence of "confusion and controversy" in the law governing patent permanent injunctions. *See*
 13 Plaintiff-Appellant's Petition for Initial Hearing *En Banc, Apple Inc. v. Samsung Elecs. Co., Ltd.*,
 14 Nos. 2013-1129, 2013-1146, at 3 (Fed. Cir. Jan. 16, 2013) ("*Apple II*'s causal nexus requirement
 15 has generated significant confusion and controversy . . . " (citing *Brocade Commc'ns Sys., Inc. v.*
 16 *A10 Networks, Inc.*, No. 5:10-cv-3428, Dkt. No. 830, at 1-2 (N.D. Cal. Jan. 10, 2013)). But there
 17 can be no dispute that the Supreme Court in *eBay* held that loss of the right of exclusivity provided
 18 by a patent is not sufficient proof of irreparable harm to warrant an injunction. *See eBay Inc. v.*
 19 *MercExchange, LLC*, 547 U.S. 377, 391 (2006) ("[T]he Patent Act . . . declares that 'patents shall
 20 have the attributes of personal property,' including the right to exclude But the creation of a
 21 right is distinct from the provisions of remedies for violations of that right." (internal quotation
 22 marks omitted) (citation omitted)).

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 25 ¹ In its opposition, Brocade quotes this Court's permanent injunction order to argue that it
 26 has shown a causal nexus. *See* Order Granting Perm. Inj., Dkt. No. 830, at 2 ("[T]he record in this
 27 case . . . shows a clear causal nexus between Brocade's loss of exclusivity . . . and A10's
 28 infringement"), *quoted in* Pls.' Opp'n, Dkt. No. 846, at 5. This, however, is not the causal
 nexus required by the Federal Circuit in *Apple II* – that the infringing features drive demand for
 the product. Brocade's argument is both circular and legally irrelevant, as there is a causal nexus
 between the infringement and the loss of exclusivity in every case where infringement is found.

1 In cases involving patents that cover isolated, relatively minute features of a complex
 2 product, the causal nexus standard set forth in *Apple II* provides the appropriate framework for
 3 determining whether there has been legally cognizable, irreparable harm sufficient to warrant an
 4 injunction. This trend is consistent with the Federal Circuit's repeated admonishment that "minor
 5 patent improvements" do not justify the application of the entire market value rule. *See, e.g.,*
 6 *LaserDynamics, Inc. v. QuantaComputers, Inc.*, 694 F.3d 51, 67-68 (Fed. Cir. 2012). If a minor
 7 improvement does not justify the imposition of a royalty based on the entire market value of the
 8 end product, it surely does not justify the imposition of an injunction on the same end product, an
 9 even more extreme penalty on the accused infringer.

10 Here, the Court has found that the allegedly infringing features do not drive consumer
 11 demand. Dkt. 830, fn. 26.² This case (and *Apple v. Samsung*) are thus distinct, for example, from
 12 the fact pattern found in *Edwards LifeSciences AG v. CoreValve, LLC*, where the patent at issue
 13 for a valve claimed the fundamental design of the accused device produced by CoreValve. 699
 14 F.3d 1305, 1311-12 (Fed. Cir. 2012). Similarly, in *Presidio Components, Inc. v. American*
 15 *Technical Ceramics Corp.*, the defendant's capacitor was found to infringe the plaintiff's patent
 16 covering the fundamental features of a particular type of capacitor. Nos. 2012-1355, 2012-1089,
 17 2012 WL 6602786 (Fed. Cir. Dec. 19, 2012). In *Edwards* and *Presidio*, the patent and the
 18 infringing product were essentially co-extensive. Neither involved the instant circumstance – the
 19 issuance of an injunction despite the fact that the infringing features are but a tiny portion of the
 20 accused product **and** an express finding that the infringing features did not drive demand for the
 21 accused product.

22 Presented with the factual circumstances in the same posture as the instant case, Judge Koh
 23 reached the exact opposite conclusion. In particular, she found that the *Apple II* causal nexus is a
 24 required predicate to the issuance of a permanent injunction in a patent case. *Apple III*, Dkt No.
 25 2197, at 7:6-7 ("The Federal Circuit has been quite clear that a strong showing of harm is not
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27 ² Indeed, absent a showing of causal nexus, even infringing products that are "less valued"
 28 without the patented feature, or even "*inoperable*," do not warrant injunction. *Apple II*, 695 F.3d
 at 1376.

1 enough; Apple must link any harm it suffers directly to Samsung's infringement."). Apple has
 2 appealed that conclusion to the Federal Circuit, which presumably will resolve it. Given the clear
 3 directive of the Federal Circuit in *Apple II* and its application by Judge Koh, A10 respectfully
 4 submits that the Court should stay its patent injunction in this case at least until the Federal Circuit
 5 further addresses this issue.

6 **2. There Is No Evidence Of Irreparable Harm Due to A10's Alleged
 7 Infringement**

8 In its order granting permanent injunction, this Court found that Brocade did not prove any
 9 loss of market share attributable to A10's alleged infringement. Dkt. No. 830, n.26 at 7 ("Brocade
 10 has not presented sufficient evidence to support its contention that its loss of market share and
 11 sales was the result of A10's infringement."). The Court also found that Brocade did not prove
 12 that the features *actually claimed* by its patents have driven demand for either party's sales. *Id.*
 13 Remarkably, Brocade's opposition not only ignores but flat out contradicts these findings,
 14 asserting that "Brocade has lost customers and market share to A10." Dkt. No. 846, at 4. The
 15 Court's findings nullify every argument that Brocade has raised and continues to champion in
 16 support of its suddenly urgent bid to enjoin A10 immediately. Brocade's protestations are also
 17 belied by the fact that it waited for years to bring this lawsuit and never sought a preliminary
 18 injunction for the alleged infringement of its patents.

19 Brocade's reliance upon the fact that it competes with A10 (*see* Pls.' Mot. for Perm. Inj.,
 20 Dkt. No. 783, at 4) is of no moment where there is no evidence of a causal nexus between the
 21 alleged infringement and the alleged harm. Brocade lost customers or market share because A10's
 22 products and services (and, presumably, the products and services of others in the marketplace) are
 23 superior to Brocade's for reasons entirely unrelated to the asserted patents.

24 Because Brocade has no evidence that it has suffered loss of sales or market share due to
 25 the alleged infringement, it ultimately resorts to the unsubstantiated argument that, absent an
 26 injunction, A10 would be unable to satisfy its liability at law. But here again the Court has
 27 already rejected Brocade's argument. *See* Dkt. No. 830, at 6 n.21 ("Brocade has provided no
 28 evidence that A10 is subject to the same threat of bankruptcy or financial stress as the defendant in

1 *Bosch.*"). And logic dictates that a company that is not enjoined is more likely, not less likely, to
 2 avoid financial stress.

3 Thus, the Court has already considered and implicitly rejected Brocade's contentions that it
 4 will suffer irreparable harm if the Court stays its patent injunction pending appeal.

5 **B. Direct Infringement**

6 All four of the asserted patent claims require that the claimed system, switch or device be
 7 specifically "configured" or "adapted" to carry out claimed functions. This Court expressly
 8 recognized that, contrary to the arguments Brocade has been making throughout this case,
 9 Brocade's patent claims do in fact require *more than mere capability*. JMOL Order, Dkt. No. 845,
 10 at 21-22. However, citing *Fantasy Sports* and *Finjan*, this Court held that, in cases involving
 11 devices controlled by software, such devices are in fact configured to carry out the specific
 12 function if in fact the software is merely capable of carrying out those functions. *Id.* at 23.

13 A10 believes that this finding is incorrect, and irreconcilable with the cases establishing
 14 that mere capability is not the same as actual configuration – even in cases involving devices
 15 running software. All of the relevant cases direct the analysis to the language of the claims. In
 16 *Fantasy Sports*, the claims at issue were "means for" claims that, on their face, only claim
 17 capability and do not claim actual configuration. In *Finjan*, the claims are similarly, and
 18 explicitly, directed to capability and not configuration (e.g., a "logical engine for preventing
 19 execution"). Here, in sharp contrast, each of the claims requires, specifically, that the
 20 switch/system/device be "configured" or "adapted" in a specific way. And the evidence is un-
 21 contradicted that, as shipped, the AX series devices are not so configured or adapted. For this
 22 reason, A10 is likely to succeed on the merits and overturn the jury's infringement verdict.

23 **III. Balance of Harms**

24 **A. Possible Loss of Customers and Ill-conceived Assertions of Contempt**

25 It is true that A10 prudently engaged in a redesign effort and announced that effort to its
 26 customers when the injunction issued. Moreover, the Court ordered A10 to provide notice of the
 27 injunction to all its customers, (Dkt. No. 830 at 17-18), and A10 has done so. In this environment,
 28 A10 is, not surprisingly, dealing with questions from concerned customers every day. The cloud

1 of an injunction does not just go away overnight and, despite its best efforts, A10 is very much at
 2 risk of losing additional customers should the injunction not be stayed pending appeal.

3 In addition, despite A10's good faith efforts in developing and implementing its redesign—
 4 and despite Brocade's repeated reliance on that redesign in opposing this request for a stay—there
 5 is no assurance that Brocade (or this Court) will ultimately agree that A10's redesign successfully
 6 avoids infringement. Indeed, Brocade may argue precisely the opposite. Accordingly, and
 7 contrary to Brocade's cynical suggestion that the redesign moots the need for a stay, it is entirely
 8 appropriate to issue a stay pending appeal even when a workaround has been deployed. *E.g.*,
 9 *ActiveVideo Networks, Inc. v. Verizon Commc'ns, Inc.*, 694 F.3d 1312, 1342 (Fed. Cir. 2012)
 10 (noting that the Federal Circuit issued a stay of the permanent injunction pending appeal even
 11 where the defendant needed only eight months to implement its design-around); *i4i Ltd. P'Ship v.*
 12 *Microsoft Corp.*, 598 F.3d 831, 863-64 (Fed. Cir. 2010) (noting that a stay was granted in a case
 13 where the defendant required only six months to remove infringing features from its products).

14 **B. Patent Reexamination Proceedings**

15 As A10 has already advised the Court, in the course of the inter partes reexamination
 16 proceedings, the PTO has twice rejected each of the patent claims that the jury considered at trial.
 17 Brocade claims that "courts have rejected A10's argument that interim reexam results are a basis to
 18 stay or deny an injunction." Dkt. No. 846 at 6 n.3. But courts have done no such thing, and one of
 19 the cases cited by Brocade expressly **granted** a stay of a permanent injunction pending
 20 reexamination. *See, e.g. Standard Havens Prods. v. Gencor Industries, Inc.*, 1993 WL 172432, at
 21 *1 (Fed. Cir. 1993) (unpublished) ("Accordingly, we reverse the decision of the district court as
 22 based on legal error and remand with instructions to stay the imposition of the permanent
 23 injunction and to stay any further proceedings respecting damages until the reexamination decision
 24 becomes final."). The status and stage of reexamination proceedings are unquestionably relevant
 25 to the balance of equities. *See, e.g., Standard Havens Prods. v. Gencor Industries, Inc.*, 897 F.2d
 26 511, 514 (Fed. Cir. 1990) (finding that plaintiff had shown "a substantial legal question regarding
 27 validity," directly relevant to the likelihood of success prong in the standard for a stay pending
 28 appeal, by pointing to collateral reexamination proceedings). In fact, courts sometimes stay trial

1 proceedings altogether pending the results of PTO reexaminations. *See, e.g., Gould v. Control*
 2 *Laser Corp.*, 705 F.2d 1340, 1342 (Fed. Cir. 1983) ("When a district court stays patent validity
 3 proceedings before it until completion of a reexamination proceeding, that stay must be accepted if
 4 the purpose of the reexamination statute is to be preserved."). If the PTO rejection of Brocade's
 5 asserted patents becomes final, as appears likely, it would be necessary to dissolve any injunction
 6 based on those claims, assignor estoppel notwithstanding. *See, e.g., Total Containment v. Environ*
 7 *Prods., Inc.*, 921 F. Supp. 1355, 1380(E.D. Pa. 1995) ("This court has ruled that the doctrine of
 8 assignor estoppel does not apply to claims cancelled during reexamination proceedings because an
 9 equitable doctrine may not circumvent the operation of a statute."); *see also Ralph Gonnocci*
 10 *Revocable Living Trust v. Three M Tool & Machine, Inc.*, 68 U.S.P.Q.2d 1755, 1758-60 (E.D.
 11 Mich. 2003) (ordering a stay of pending reexamination and noting that the stay was proper even if
 12 assignor estoppel applied to the defendant); *Vitronics Corp. v. Conceptronic, Inc.*, 36 F. Supp. 2d
 13 440, 442 (D.N.H. 1997) (notwithstanding assignor estoppel, "the court determines that a stay
 14 [pending reexamination] in this case is appropriate").³

15 **IV. Conclusion**

16 For all the foregoing reasons A10 respectfully requests the Court stay its patent injunction
 17 pending appeal.

18 Dated: January 26, 2013

19 Respectfully submitted,
 IRELL & MANELLA

20 By: /s/ Morgan Chu
 21 Morgan Chu

22 Attorneys for Defendant and Counterclaimant
 23 A10 NETWORKS, INC. and Defendants LEE
 24 CHEN, RAJKUMAR JALAN, RON SZETO and
 25 STEVE HWANG

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27 ³ A10 believes it will succeed in showing, on appeal, that the doctrine of assignor estoppel
 28 (even if it remains good law) was improperly applied here.

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